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SUBJECT: NEW ZEALAND ANNOUNCES AID BUDGET FOR THE PACIFIC ISLANDS

¶1. (U) On June 24, NZ Minister of Foreign Affairs Winston Peters announced NZ's Pacific development strategy for 2007-2015. The strategy included a budget of 1.5 billion USD for aid to Pacific Island Countries (PICs) over the eight-year period, which included 183.7 million USD for FY 2008/2009. The 2008/2009 budget represents an increase of 15.4 percent above the 155.6 million USD allocated for Official Development Assistance (ODA) to PICs in 2007/2008, and 50 percent of NZ's total ODA to all countries.

¶2. (U) Peters also disclosed a new emphasis on developing partnerships with PIC governments rather than merely providing handouts. In past years, NZ's Labour-led government has been criticized by the opposition National Party for merely disbursing funds to PIC governments without demanding accountability and measuring progress. According to Peters, using a South Pacific analogy, "The canoe must be paddled on both sides" -- meaning that NZ and PIC beneficiaries must equally shoulder responsibility for making aid projects work. Specifically, Peters referred to the need for beneficiaries to adopt policies and practices that foster economic growth and employment, improve standards of living, and prevent corruption, poor governance and conflict.

¶3. (U) Australia remains the largest single aid donor in the Pacific island region, with a 2008-2009 budget for ODA to PICs of 585.1 million USD.

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